

Axiata Group (AXIATA MK)

4Q25: Below Expectations; Main Drag From Indonesia

Highlights

- Axiata reported a 4Q25 net profit on continued operations of RM106m – a weak set of numbers due to XLSmart integration costs and LinkNet losses. 2025 net profit of RM365m on continued operations was below expectations.
- Associate dividends to the group amounted to RM1.7b, supporting dividends. Axiata's balance sheet health continued to improve with net debt/EBITDA falling to 2.46x in 4Q25 (3Q25: 2.61x). The group declared a 5 sen interim DPS, bringing full-year net DPS to 10 sen.
- Maintain BUY with an SOTP-based target price of RM3.00.

4Q25 Results

Year to 31 Dec (RMm)	4Q25	qoq % chg	yoy % chg	2025	yoy % chg
Revenues	2,979.2	2.0	(44.4)	11,758.0	(47.4)
Reported EBITDA	1,438.8	5.6	(47.3)	5,460.4	(50.9)
Reported EBITDA Margin (%)	48.3%	1.6	(2.6)	46.4%	(3.4)
Reported Pre-tax profit	360.0	112.7	85.8	995.6	(61.2)
Reported Net profit	(38.7)	41.4	(82.8)	364.6	(61.5)
Underlying Net profit (continuing operations)	105.6	(22.6)	(37.6)	364.6	(61.5)
Cost Structure (% of revenue)	4Q24	1Q25	2Q25	3Q25	4Q25
Direct Expenses	7.9%	7.8%	7.6%	10.3%	8.2%
S&M	6.4%	6.1%	6.0%	7.3%	7.5%
Staff cost	7.2%	7.2%	7.9%	11.7%	10.6%
G&A + others	28.3%	26.8%	29.8%	23.5%	25.6%

Source: Axiata, UOB Kay Hian

Analysis

- Weak 4Q25 profit, drag coming from Indonesia.** Axiata Group (Axiata) reported underlying net profit from continued operations of RM105.6m – a decline of 23% qoq and 38% yoy. This reflects XLSmart's integration costs and LinkNet's widening losses (net loss deepened by 25% oq). Full-year net profit disappointed market and us with a 62% yoy drop in income to RM365m.
- Dividends of RM1.7b from opcos.** Operationally, Dialog, Robi and SMART did very well, helping to drive dividends to Axiata group. EDOTCO Group's (EDOTCO) 2025 net profit rose from RM171m to RM379m on the back of forex gains and lower depreciation given extension of the asset useful life policy.
- Dividends in line.** Axiata declared a second interim net DPS of 5 sen in 4Q25. This brings full-year net DPS to 10 sen (as guided by management), with a net dividend yield of 4.3%.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	22,334.6	11,758.0	12,138.1	12,808.7	13,524.0
EBITDA	11,129.0	5,460.0	5,806.5	6,128.3	6,436.6
Operating profit	3,787.8	1,566.6	1,783.5	2,294.1	2,706.5
Net profit (rep./act.)	946.8	364.6	441.8	646.3	785.0
Net profit (adj.)	852.2	364.6	441.8	646.3	785.0
EPS	9.3	4.0	4.8	7.0	8.5
PE	24.9	58.2	48.0	32.8	27.0
P/B	1.0	1.0	1.1	1.1	1.1
EV/EBITDA	4.1	6.6	6.3	6.0	5.8
Dividend yield	4.3	4.3	4.3	4.3	4.3
Net margin	3.8	3.1	3.6	5.0	5.8
Net debt/(cash) to equity	86.5	55.5	56.9	57.9	59.1
Interest cover	1.5	1.8	2.6	3.7	5.1
ROE	4.0	1.8	2.2	3.3	4.0
Consensus net profit	-	-	689.2	940.2	1,543.0
UOBKH/Consensus (x)	-	-	0.6	0.7	0.5

Source: Axiata, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM2.31
Target Price	RM3.00
Upside	+29.9%

Analyst(s)

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Stock Data

GICS Sector	Communication Services
Bloomberg ticker	AXIATA MK
Shares issued (m)	9,186.3
Market cap (RMm)	21,220.2
Market cap (US\$m)	5,455.8
3-mth avg daily t'over (US\$m)	3.4

Price Performance (%)

52-week high/low RM2.79/RM1.63

1mth	3mth	6mth	1yr	YTD
(7.2)	(12.8)	(10.5)	12.7	(8.3)

Major Shareholders

	%
Khazanah Nasional Bhd	36.4
Employee Provident Fund	19.0
Skim Amanah Saham	16.6

Balance Sheet Metrics

	%
FY26F NAV/Share (RM)	2.16
FY26F Net Debt/Share (RM)	1.23

Price Chart



Source: Bloomberg

Company Description

Mobile operator.

- **Group-wide balance sheet optimisation.** Axiata continued improving its balance sheet position, lowering net debt/EBITDA to 2.46x vs 2.61x in 3Q25.

4Q25 Performance Of Operating Companies (opco)

Robi (Bangladesh)	- Revenue rose 1% qoq despite the strengthening of the ringgit, owing to higher prepaid revenue. - Consequently, EBIT and PATAMI grew 1% qoq and 33% qoq respectively. This was driven by lower taxes following ADR settlements and cost optimisation but was offset by accelerated depreciation - Robi is now nearing a debt free position, with reported borrowings only representing leases.
Dialog (Sri Lanka)	- Revenue rose 3% qoq, underpinned by robust growth in the mobile prepaid segment (17% from organic growth and 7% from Airtel consolidation). - EBIT (+5% qoq) and PATAMI (+3% qoq) improved on the back of cost optimisation from merger synergies.
SMART (Cambodia)	- Qoq revenue expanded by 6% on the back of healthy growth in prepaid subscribers and promising ARPU uplift - EBIT (+5% qoq) and PATAMI (+1% yoy) remained resilient from cost efficiencies with the company contributing US\$70m in dividends towards Axiata.
Edotco	- Revenue saw a turnaround in this quarter (+4% qoq), despite adverse forex translation from subsidiaries. This was offset by resilient growth in Malaysia, Pakistan and the Philippines - EBIT (+6% yoy) and PATAMI (>100% qoq) primarily driven by reduced interest cost resulting from its debt pare down exercise (from Edotco Myanmar disposal utilisation proceeds).

Source: Axiata, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with an SOTP-based target price of RM3.00.**
- **EDOTCO monetisation to materialise in 2026.** Management remains confident that EDOTCO's monetisation will materialise in 2026 while recent volatility in the Indonesian capital markets poses a potential headwind to the execution of the LinkNet divestment in the near term. We expect an attractive 10-12x EV/EBITDA valuation for EDOTCO in a trade sale, suggesting upside of 7-10x to current market expectations.
- **Key re-rating catalysts include:** a) stronger opco performance in the upcoming quarters; b) a deleveraging exercise across the group; and c) the monetisation of EDOTCO, allowing for share price discovery.

Earnings Revision/Risk

- No change to earnings.

Environmental, Social, Governance (ESG)

Environmental

- Committed to achieving net-zero emission by no later than 2050 and reducing operational carbon emissions by 45% from a 2020 baseline.

Social

- Launched Organisation 5.0 supporting a future-ready mindset for employees.
- 30% women's representation in senior management team by 2025.

Governance

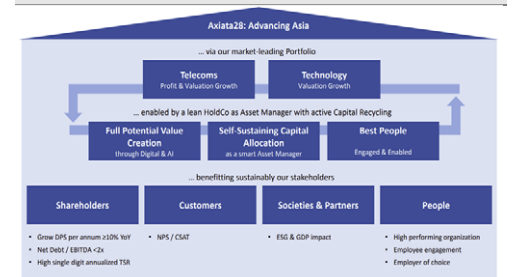
- Over 90% training completion for anti-bribery & anti-corruption, whistleblowing, data privacy and cyber security yearly.

Fair Value At RM3.00/Share

	Equity Value (RMm)	% of SOTP
Operating Companies		
Celcom	16,646	50%
XL Axiata	3,959	12%
SMART	3,748	11%
Robi	3,997	12%
Dialog	212	1%
Total OPCOs	28,562	87%
Edotco	8,316	25%
ADA	635	2%
Boost	534	2%
Link Net	1,500	5%
Holding company debt	(6,533)	(20%)
Total (RMm)	16,646	50%
Axiata's SOTP (RM/share)	3.60	
Axiata's Fair Value (RM/share)	3.00	15% discount

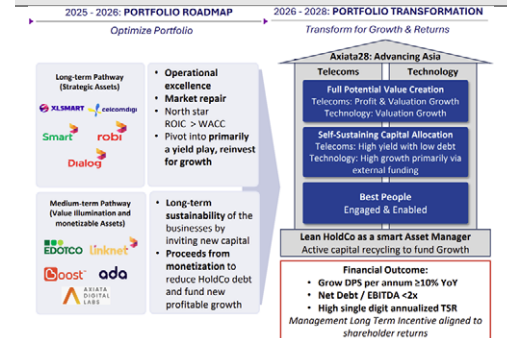
Source: UOB Kay Hian

Axiata28



Source: Axiata

2026-28 Focus



Source: Axiata

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,758.0	12,138.1	12,808.7	13,524.0
EBITDA	5,460.0	5,806.5	6,128.3	6,436.6
Deprec. & amort.	(3,893.4)	(4,023.1)	(3,834.3)	(3,730.0)
EBIT	1,566.6	1,783.5	2,294.1	2,706.5
Total other non-operating income	-	-	-	-
Associate contributions	19.3	705.0	787.8	787.8
Net interest income/(expense)	(548.1)	(408.6)	(401.8)	(407.4)
Pre-tax profit	995.6	2,079.8	2,680.1	3,086.9
Tax	(656.3)	(1,371.1)	(1,766.8)	(2,035.0)
Minorities	(267.0)	(267.0)	(267.0)	(267.0)
Net profit	364.6	441.8	646.3	785.0
Net profit (adj.)	364.6	441.8	646.3	785.0

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,705.6	4,348.5	4,479.7	4,560.5
Pre-tax profit	995.6	2,079.8	2,680.1	3,086.9
Tax	(656.3)	(1,371.1)	(1,766.8)	(2,035.0)
Deprec. & amort.	3,893.4	4,023.1	3,834.3	3,730.0
Associates	(19.3)	(705.0)	(787.8)	(787.8)
Working capital changes	(1,264.5)	(86.9)	118.2	159.0
Non-cash items	208.6	-	-	-
Other operating cashflows	548.1	408.6	401.8	407.4
Investing	(20.0)	(2,896.9)	(3,095.2)	(3,317.2)
Capex (maintenance)	(2,040.6)	(3,034.5)	(3,202.2)	(3,381.0)
Others	2,020.6	137.6	107.0	63.8
Financing	4,187.3	(1,964.8)	(2,427.3)	(2,389.7)
Dividend payments	(918.6)	(918.6)	(918.6)	(918.6)
Issue of shares	9.5	-	-	-
Proceeds from borrowings	(8,138.5)	(500.0)	(1,000.0)	(1,000.0)
Others/interest paid	13,234.9	(546.3)	(508.7)	(471.2)
Net cash inflow (outflow)	7,872.9	(513.2)	(1,042.8)	(1,146.4)
Beginning cash & cash equivalent	3,541.7	2,573.4	2,060.3	1,017.5
Changes due to forex impact	(470.1)	-	-	-
Ending cash & cash equivalent	10,944.5	2,060.3	1,017.5	(129.0)

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	14,457.1	13,468.5	12,836.4	12,487.4
Other LT assets	27,848.3	28,553.3	29,341.1	30,128.9
Cash/ST investment	3,746.8	3,233.6	2,190.8	1,044.4
Other current assets	3,716.2	3,834.6	4,043.5	4,266.3
Total assets	49,768.4	49,090.1	48,411.8	47,927.0
ST debt	6,650.6	6,400.6	5,900.6	5,400.6
Other current liabilities	7,196.4	7,227.9	7,554.9	7,936.7
LT debt	8,401.8	8,151.8	7,651.8	7,151.8
Other LT liabilities	3,451.1	3,451.1	3,451.1	3,451.1
Shareholders' equity	20,357.3	19,880.5	19,608.3	19,474.7
Minority Interest	3,711.1	3,978.1	4,245.1	4,512.1
Total liabilities & equity	49,768.4	49,090.1	48,411.8	47,927.0

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	46.4	47.8	47.8	47.6
Pre-tax margin	8.5	17.1	20.9	22.8
Net margin	3.1	3.6	5.0	5.8
ROA	0.7	0.9	1.3	1.6
ROE	1.8	2.2	3.3	4.0
Growth				
Turnover	(47.4)	3.2	5.5	5.6
EBITDA	(50.9)	6.3	5.5	5.0
Pre-tax profit	(61.2)	108.9	28.9	15.2
Net profit	(61.5)	21.2	46.3	21.5
Net profit (adj.)	(57.2)	21.2	46.3	21.5
EPS	(57.2)	21.2	46.3	21.5
Leverage				
Debt to total capital	41.9	41.0	38.8	36.3
Debt to equity	73.9	73.2	69.1	64.5
Net debt/(cash) to equity	55.5	56.9	57.9	59.1
Interest cover (x)	1.8	2.6	3.7	5.1

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